

Employees' Tips

Frequently Asked Questions

What is a tip pooling arrangement?

Tip pooling or tip sharing is an arrangement that provides a method for sharing or redistributing an employee's tips.

Is an employer allowed to take control of a tip pooling arrangement?

The employer is allowed to mandate that tips be shared. However, if the pooling of tips is required by the employer, only employees who customarily and regularly receive tips can participate in the tip pool.

Which employees can the employer require to be included in an employer-mandated tip pooling arrangement?

If the tip pooling arrangement is required by the employer, only regularly tipped employees can be required to receive a portion of the tips. The term, "regularly tipped employees" is defined as those employees who customarily and regularly receive at least \$30 a month in tips.

Can the employer, owner or manager be included in an employer-mandated tip pooling arrangement?

No. Tips belong to the employees, not the employer, or those acting on behalf of the employer, such as managers or shift supervisors who can act on behalf of the employer.

Shouldn't dishwashers and cooks working in the kitchen be allowed to participate in an employer-mandated tip pooling arrangement? After all, doesn't the customer leave the tip for the entire staff as gratitude for the whole dining experience?

In April 2011, federal regulations were put in place that specified who could receive tips in an employer-mandated tip pooling arrangement. These tip pools can only include those employees who customarily and regularly receive at least \$30 a month in tips. Dishwashers, janitors and cooks who work out of the public eye and who do not provide direct customer service are not considered regularly tipped employees, and therefore cannot share in an employer-mandated tip pooling arrangement.

Can an employer mandate that customers do not leave a tip, but rather add a percentage on to the customer's bill as a gratuity?

Yes. If an amount is added to the customer's bill, such as a 15% gratuity, it becomes the property of the employer and then the employer can distribute it as they see fit as a wage.

What is “tip credit?”

Federal law allows employers to pay tipped employees less than the current minimum wage with the understanding that the tips the employee receives will bring their wages up to meet the minimum wage. This is known as “tip credit,” and it is specifically not allowed in the State of Alaska. Unless there is a specific exemption from the minimum wage law that states otherwise, all employees in Alaska must receive the full Alaska minimum wage before any tips are included.

What is the difference between a tip and a gratuity?

A tip is freely given by the customer in recognition of good service. A gratuity is a compulsory amount or percentage charged or added to the customer’s final bill by the business, such as for service to a large party of customers.

Can a percentage of the tip be retained by the employer to cover the credit card company fee?

Yes. For example, say the employer is being charged a 3% fee by the credit card company for processing the charge -- the employer may reduce the tip by 3%. For example, if the bill is for \$100 and the customer adds a \$10 tip, and the total amount is reduced by the credit card company by 3%, this 3% can be deducted from the employee’s tip. In this case, the employee would receive \$9.70.

Can the employer require that an employee give up a portion of their tips to pay for a cash register shortage or any other type of business expense?

No. Business expenses are to be borne by the employer and cannot be passed on to the employee.

I am the owner of the business and occasionally have to wait on tables if we are short-staffed. We have an employer-mandated tip pooling arrangement. Would I be able to collect my portion of the tips at the end of the shift?

No. Tips are the property of the employees, not the employers. The employer cannot participate in an employer-mandated tip pooling arrangement.

Is the employer allowed to hold all the credit card tips and disburse them on the next regularly scheduled pay day?

No. The employer may handle the employee’s tips only for the purpose of delivering the cash amount of the tip to the employee when the customer provides for a tip on a credit card. When cash tips are left, they must be paid daily to the person tipped, no later than at the end of that person’s shift.

I am the owner of the business and occasionally have to wait on tables. If we do not have a tip-pooling arrangement, and a customer leaves a tip on my table, can I keep it?

Yes. The customer leaves the tip to the person or persons who provide the direct service.

I am an employer with many, many employees. It is not practical that I disburse all the credit card tips on a daily basis. Can I set up one or two days a week to disburse the credit card tips?

Yes. The tips must be disbursed timely and expeditiously.

I am an employer in an eating establishment that has counter service only, no table service, similar to a sandwich shop or food truck, and we leave out a “tip jar.” It is impossible to distinguish the direct contact servers from the back of the house preparers. Am I allowed to include my entire staff when distributing the proceeds of the tip jar?

Yes. If it is an employer-mandated tip pooling arrangement, the sharing policy must be clearly understood, preferably in writing, but the employer may not participate in the sharing. The tips are the property of the employees, not the employer.